

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7546

Petition of Vermont Public Power Supply Authority,)
Pursuant to 30 V.S.A. § 108(a), for Authority to Issue)
Long-term Debt for the Purchase of Membership)
Units in Vermont Transco, LLC for the Benefit of)
VPPSA Members)

Order entered: 9/17/2009

I. INTRODUCTION

On July 14, 2009, the Vermont Public Power Supply Authority ("VPPSA") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") for approval pursuant to 30 V.S.A. § 108(a) for long-term debt financing of the purchase of membership units ("Transco Membership Units or Units") in Vermont Transco, LLC ("Transco") on behalf of the VPPSA members who participated in the Uncontested Settlement Agreement ("Agreement") related to the Lamoille County Project ("LCP"). VPPSA requests financing in the amount of \$9.5 million (the "Loan"). The Petition was supported by the prefiled testimony of Crystal Currier, Controller for VPPSA, and by accompanying exhibits.

On August 28, 2009, the Vermont Department of Public Service ("DPS") submitted a letter to the Board stating that it believes that the Petition is consistent with the general good of the state, and recommending approval of the Petition without a hearing.

On September 11, 2009, the DPS filed a letter with attached Determination Under 30 V.S.A. § 202(f) to the Board recommending that the Board approve the Petition and finding that the issuance of long-term debt as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f).

I have reviewed the Petition and the supporting documents. I conclude that approval of VPPSA's Petition pursuant to 30 V.S.A. §108(a) is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the exhibits presented in this docket,

and the DPS's letters of August 28 and September 11, 2009, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 108.

II. FINDINGS

1. VPPSA has thirteen members who are all Vermont distribution utilities.¹ Petition at 1.
2. VPPSA requests approval to obtain long-term financing for the purpose of purchasing Transco Membership Units on behalf of the Village of Morrisville Water & Light Department, the Village of Johnson Water & Light Department, the Town of Hardwick Electric Department, and the Village of Hyde Park Electric Department (the "Parties") who are parties to the Agreement involving the LCP. The Agreement provides that Transco will offer each of the Parties a particular number of Transco Membership Units to offset the LCP-specific facilities costs that each is responsible for under the Agreement.² The Units can be purchased at the end of each quarter in 2009, but no later than the date the LCP enters into commercial operation in October of this year. Each of the Parties has assigned its allocated number of Units to VPPSA to purchase for its benefit. Currier pf. at 3-4.
3. VPPSA proposes to finance the purchase of the Units in an amount not to exceed \$9.5 million which includes the cost of the Units of \$8,746,500 plus financing fees. The Loan will be for a term of ten years and will be structured as a bullet note with no principal reductions required until maturity. VPPSA will pay interest-only at a fixed rate of interest expected to be between 6% and 9%. The financing will be in the form of a private placement issued by Manor Private Capital, LLC as the placement agent. Currier pf. at 4.
4. During the ten-year period, VPPSA will own and account for the Units in the same manner as the prior purchases VPPSA has made on behalf of its members, thereby providing the

1. Village of Enosburg Falls Water & Light Department; Town of Hardwick Electric Department; Village of Hyde Park Electric Department; Village of Jacksonville Electric Company; Village of Johnson Water & Light Department; Village of Ludlow Electric Light Department; Village of Lyndonville Electric Department; Village of Morrisville Water & Light Department; Village of Northfield Electric Department; Village of Orleans Electric Department; Town of Readsboro Electric Light Department; and Swanton Village, Inc. Electric Department.

2. On October 15, 2008, in Docket No. 7310, the Board authorized Transco to issue approximately \$93 million of additional Class A and Class B membership units to Vermont distribution utilities.

Parties with the direct benefit of ownership to partially offset the specific facilities costs incurred under the Agreement. However, at the end of the ten-year period, VPPSA will make the Units available for sale back to Transco in the same manner that would have been required if the Parties had purchased the Units on their own. For this reason, unlike prior purchases, VPPSA will not make principal payments on the Loan to pay for the investment during the ten-year period. Currier pf. at 5.

5. The proposed purchase of the Units by VPPSA will require changes to the Transco Equity Agreement between VPPSA and VPPSA's members as it did not contemplate the issuance of the Units to cover the costs for the specific facilities or the requirement to sell back the Units at the end of the ten-year period. Currier pf. at 5-6.

III. DISCUSSION & CONCLUSION

Based upon the foregoing and the evidence in the record, I find that VPPSA's proposed transaction as described above will be consistent with the general good of the State. The proposed financing provides financial benefits to VPPSA's members that are parties to the Agreement by providing the Parties with the direct benefit of ownership of the Transco Membership Units which will partially offset the specific facilities costs incurred under the Agreement. I therefore recommend that the Board approve the Petition and authorize the requested long-term financing of the purchase of Transco Membership Units on behalf of the Parties in an amount not to exceed \$9.5 million, according to the financing terms as described above.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 14th day of September, 2009.

s/Jay E. Dudley
Jay E. Dudley
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are adopted.
2. The request for long-term debt to finance the purchase of membership units in Vermont Transco, LLC ("Transco") on behalf of the Village of Morrisville Water & Light Department, the Village of Johnson Water & Light Department, the Town of Hardwick Electric Department, and the Village of Hyde Park Electric Department (the "Parties"), in the amount of \$9.5 million, as set forth in Vermont Public Power Supply Authority's ("VPPSA") petition in this docket, and as described in the Findings is consistent with the general good of the State of Vermont.
3. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to VPPSA to borrow through private placement an amount not to exceed \$9.5 million for a term of ten years, according to the terms consistent with the Findings above.
4. This Order does not constitute approval of VPPSA's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the issuance of long-term debt contemplated in the Petition in this docket. Nothing in this approval shall preclude the Vermont Department of Public Service ("DPS") or any other party, or the Vermont Public Service Board ("Board"), from reviewing or challenging such expenditures or VPPSA's resulting capital structure.
5. VPPSA shall inform the Board and the DPS of any material change in the terms and conditions of the financing, if any, prior to closing.
6. VPPSA shall provide the Board and the DPS with a complete set of final loan closing documents within 10 days of the loan closing.

Dated at Montpelier, Vermont, this 17th day of September, 2009.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: September 17, 2009

ATTEST: s/Susan M. Hudson
CLERK OF THE BOARD

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.